

Service Date: September 25, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	UTILITY DIVISION
PACIFICORP for Authority to Issue)	
and Sell Not More Than 14,500,000)	DOCKET NO. D97.9.162
shares of its Common Stock pursuant)	
to its Stock Incentive Plan.)	DEFAULT ORDER NO. 6016

On September 4, 1997, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission (Commission) its original application in the named matter, pursuant to §§ 69-3-501 through 69-3-507, MCA, requesting an Order authorizing the Company to issue and sell not more than 14,500,000 shares (new shares) of its Common Stock pursuant to options granted under its Stock Incentive Plan (Incentive Plan). The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on September 22, 1997, there came before the Commission for final action the matters and things in Docket No. D97.9.162, and the Commission, having fully considered the supplemental application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. PacifiCorp is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.
2. PacifiCorp is operating as a public utility as defined in § 69-3-101, MCA, and is engaged in furnishing electric service in Montana.
3. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.
4. The Commission has jurisdiction over the subject matter of the application under § 69-3-102, MCA.
5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Company proposes to issue not more than 14,500,000 shares under the Incentive Plan. The new shares will be issued pursuant to the Company's Third Restated Articles of Incorporation and will constitute additional shares within the 750,000,000 shares currently authorized. At July 31, 1997, a total of 296,162,794 shares of Common Stock were outstanding. The new shares will be ranked equally with outstanding shares in all respects. The rights of these shares are set out in the Company's Third Restated Articles of Incorporation.

7. The Incentive Plan permits the grants of incentive stock options, nonstatutory stock options, stock awards, stock appreciation rights (SARs), cash bonus rights, dividend equivalent rights (DERs), performance-based awards and foreign qualified grants. All employees, officers and directors of the Company and its subsidiaries are eligible to participate in the Incentive Plan. Also eligible are non-employee agents, consultants, advisors and independent contractors of the Company or any subsidiary. The Incentive Plan will continue in effect until August 13, 2006, subject to earlier termination by the Board of Directors of the Company. The Board of Directors of the Company has delegated authority for administration of the Incentive Plan to the Personnel Committee of the Board, which designates from time to time the individuals to whom awards are made under the Incentive Plan, the amount of any such award and the price and other terms and conditions of any such award.

8. The total number of shares reserved for issuance under the Incentive Plan is 14,500,000 shares, of which 57,100 shares have been used for restricted stock awards. The shares awarded under the Incentive Plan may be authorized and unissued shares or shares acquired in the market. Prior to receipt of all required approvals of the public utility regulatory authorities having jurisdiction over issuances of securities by the Company, any shares of Common Stock to be delivered under the Incentive Plan will be acquired in the

market. Accordingly, the 57,100 shares subject to restricted stock awards under the Incentive Plan were acquired in the market by the Company.

9. On June 3, 1997, options for 1,322,500 shares were granted to officers and employees of the Company at an exercise price of \$19.75 per share. On August 12, 1997 options for an additional 193,500 shares were granted at an exercise price of \$21.25 per share. In each case, the option price was set at the closing price for the Company's Common Stock on the New York Stock Exchange on the day before the grant. The options vest over a three year period and have a term of 10 years. All of the options have been granted subject to receipt by the Company of all necessary regulatory approvals. No SARs, cash bonus rights, DERs, performance-based awards or foreign qualified grants have been granted under the Incentive Plan. Although the Company is requesting authority to issue its Common Stock only in connection with options granted under the Incentive Plan, the Company has also requested Commission authorization for any issuances of securities in connection with awards under the Incentive Plan because such awards may technically involve the issuance of other securities of the Company.

10. The purpose of the requested authority is to sell new shares pursuant to options granted under the Incentive Plan. The offering of shares under the Incentive Plan is consistent with the Company's desire to strengthen the common equity portion of its capital structure. The Company also believes that the availability of stock options and other stock incentives will be an important factor in the Company's ability to attract and retain qualified employees and to provide an incentive for them to exert their best efforts on behalf of the Company. As the offering and issuance costs of the new shares are expected to approximate less than one percent of the proceeds, the offering is also an efficient means of obtaining permanent investment capital.

11. The anticipated results of the offering and sale of the new shares are as follows:

ESTIMATED RESULTS

	<u>Total</u>	<u>Per Share</u>
Gross Proceeds*	\$304,500,000	\$21.00
Less: Issuance Expenses	<u>300,000</u>	<u>.02</u>
Net Proceeds to Company	<u>\$304,200,000</u>	<u>\$20.98</u>

* Based on the assumption that options for all new shares are exercised at the closing price for the Common Stock on the New York Stock Exchange on August 27, 1997.

Other Expenses

Securities and Exchange Commission fees	\$92,300
Regulatory agency fees	1,500
Company's counsel fees	25,000
Accounting fees	20,000
Printing fees	75,000
Stock Exchange listing fees	80,000
Miscellaneous costs	<u>6,200</u>
TOTAL	<u>\$300,000</u>

12. The Company intends to use the proceeds for purposes set forth in § 69-3-501 MCA. Proceeds may be used for one or more of the following purposes: the acquisition of property; the construction, completion, extension, or improvement of facilities; the improvement of service; the discharge or refunding of obligations; and to reimburse the Company for funds expended from income or from other treasury funds that were not derived from the issuance of securities, provided that the funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the

discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

13. The proposed issuances are a part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities the Company could sell.

14. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed issuances to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on September 4, 1997, for authority to issue and sell not more than 14,500,000 shares of its Common Stock pursuant to options granted under its Stock Incentive Plan, until all authorized shares have been sold, pursuant to §§ 69-3-501 through 69-3-507, MCA, and to use the proceeds as described in the application, is approved.

2. To the extent that awards granted under the Incentive Plan may involve the issuance of other securities of the Company, such issuances are hereby authorized.

3. PacifiCorp shall file the following as they become available:
 - (a) The "Report of Securities Issued" required by 18 CFR 34.10.
 - (b) A copy of any additional SEC Registration Statement for the Plan.
 - (c) For each year of the Incentive Plan, a verified statement showing in reasonable detail issuances made pursuant to the Incentive Plan.
 - (d) For each year of the Incentive Plan, a verified statement setting forth in reasonable detail the disposition of the proceeds.

4. Issuance of this Order does not constitute acceptance of PacifiCorp exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

5. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of the Commission.

6. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

7. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 22nd day of September, 1997, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.